each and every year to adequately fund the education of students in our State. In actual dollars if special education were actually funded at that 40 percent, Kansas would receive $181 million from the Federal Government. This means $143 million in Kansas State and local education funds would be available for other educational needs.

These numbers make it clear that special education costs consume education budgets of State and local school districts. Schools are not maintained properly, teachers do not get hired, and classroom materials do not get purchased. Our schools are not asking for new Federal programs. They are asking for the Federal Government to pay its share of special education costs so that other funds can be freed up for maintaining buildings, hiring teachers and buying classroom materials.

Congress has made significant progress in recent years to increase Federal funding for special education. In my 4 years as a Member of Congress, we have increased IDEA State grants from $3 billion to $5 billion. That is a 67 percent increase in just 3 years.

□ 1615

We still have a long way to go. For far too long, the Federal Government has mandated this program without paying its share. Today let us make the commitment to change all that and support full funding of IDEA.

□

The SPEAKER pro tempore (Mr. PEASE). Under a previous order of the House, the gentleman from Texas (Mr. BRADY) is recognized for 5 minutes.

(Mr. BRADY of Texas addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

□

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. HORN) is recognized for 5 minutes.

(Mr. HORN addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

□

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Ohio (Mr. PORTMAN) is recognized for 5 minutes.

(Mr. PORTMAN addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

□

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Florida (Mr. GOSS) is recognized for 5 minutes.

(Mr. GOSS addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

□

GAO STUDY ON RUSSIAN TRANSITION TO MODERN ECONOMY IS DISPIRITING

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Iowa (Mr. LEACH) is recognized for 5 minutes.

Mr. LEACH. Mr. Speaker, in June of 1998, the Committee on Banking and Financial Services held a series of hearings on financial instability around the world, including Russia, whose economy was soon to be devastated by the collapse of its domestic bond market and a devaluation of the ruble.

Afterward, I asked the General Accounting Office to conduct a study of the effectiveness of U.S. and other western assistance in facilitating Russia's transition from a failed Communist-style command economy to a modern market economy. The committee's ranking member, the gentleman from New York (Mr. LAFALCE), joined me in that request.

The GAO has now completed its works and the findings are disturbing, indeed dispiriting. Between 1992 and September of 1998, the United States and the West, including the International Monetary Fund, the World Bank and the European Bank for Reconstruction and Development, provided some $66 billion in assistance to Russia, not counting food aid, trade credits and debt rollovers. Of this, the United States contributed $2.3 billion in bilateral grants under the Freedom Support Act to address humanitarian needs and support economic and democratization reform. According to the GAO report which was issued today, far from putting post-Communist era Russia on a course of prosperity and stability, these funds were largely wasted. Russia's economic decline has been more severe and its recovery slower than anticipated, the GAO report notes. Progress toward reaching broad program goals have been limited.

The assistance was, in fact, worse than wasted. Because donors lacked clear strategy and coordination, as the GAO observes, the money which was virtually thrown at Russia contributed to the spread of a culture of corruption and the concentration of some of the country's most valuable economic assets in the hands of a handful of oligarchs who operate on the margin of, if not altogether outside, the law.

These politically powerful economic groups have had little interest in reform. Thus, to a significant degree, western aid programs were not only ineffective; they provided fuel to groups that opposed reform.

Consider the Russian banking system. Donors recognized that an efficient and competitive financial system was a basic need if the economy was to prosper. To this day, however, 8 years after the collapse of Communism and the break-up of the Soviet Union, Russia does not have a banking system worthy of the name. There are more than 1,000 banks in Russia, but their total assets are only about $65 billion, the level of a mid-size provincial bank in the United States.

This is because the Russian public does not trust their own banking institutions. Most of these banks, particularly the small ones, exist as money laundering platforms to help their clients evade taxes, duties and other legal requirements, and to spirit capital to overseas havens. More than $100 billion has fled the country, and some estimates place the amount much higher.

The GAO analysis released today underscores an unfortunate but inescapable conclusion: The United States and the West missed one of the great foreign policy opportunities of this century, to bring Russia into the Western family of nations, politically as well as economically. Despite the aid, Russia's economic decline was among the most severe and its recovery among the most limited among transition countries in Eastern Europe and the former Soviet Union. Many Russians have concluded that the West deliberately impoverished their country. Today only 37 percent of the Russian people have a favorable view of the United States, down from some 70 percent in 1993.

Among the key findings of the GAO report are:

One, that the U.S. and the West failed to object strongly to the corrupt loans for shares privatization scheme that consolidated the business empires of Russia's oligarchs.

Two, Russia's primary motivation of borrowing from the IMF was less to stabilize and reform its economy than to become eligible for debt relief from the United States and other creditor countries through the Paris Club.

Three, the IMF was pressured by key shareholders to support new loans for Russia in 1994 and 1996 in an effort to demonstrate U.S. and Western political support for President Yeltsin.

Four, despite compelling evidence of an absence of the rule of law and massive governance challenges, explicit anti-corruption efforts have represented a relatively small share of international assistance to Russia.

And lastly, little or no progress has been made in strengthening Russia's banking and financial system.

The recent rise in world oil and commodity prices has improved the trade balance of Russia, but continuing capital flight indicates major legal reforms have yet to occur. As a result, the business climate in Russia is still unfavorable. In a recent strategy review, the EBRD concluded, severe weakness in the rule of law continues to undermine investment. The power of vested interest to hold back critical reforms must be effectively checked. Standards of corporate governance need to be strengthened. Without demonstrable progress in these areas, Russia's impressive recovery is not sustainable.

Despite these failures and frustrations, the U.S. cannot afford to remain uninvolved with Russia. Stretching across 11 time zones, twice the distance from New York to Honolulu, almost halfway around the world, Russia is a country without which no serious international issue can be resolved.